


4 February 1986

MEMORANDUM FOR: Chief, Retirement Operations Division, EBS/OP

STAT FROM:


Modeling & Forecasting Section, ARMB/OP

SUBJECT: Reply to Congressman Wolf's Letter

1. We have reviewed Congressman Wolf's request for information on the impact of proposed legislation to tax annuities. Unfortunately, the short time period available for response does not permit a comprehensive statistical study. We think that inclusion of a specific, quantitative estimate would lead to questions which we are unable to answer at this time. Indeed, data limitations exist which may negatively affect the validity of our estimates irrespective of the time devoted to a study.

2. There is however some evidence which could be used to support a statement that you believe an increase in retirements would follow implementation of a new tax law. Specifically:

a. There was a substantial increase in phone inquiries concerning the retirement issue and annuity estimates following the 1985 announcements of the new tax provisions;

b. Employees looking at the changes from a cost-benefits standpoint are more likely to retire before the law takes effect;

c. There is a perception that this is yet another unfair burden being placed on federal employees, and may stimulate a surge in retirements; and

d. A small sample of Agency employees and managers believe that many of those eligible to retire will do so especially those in higher income brackets who stand to lose more in the years immediately following the law's enactment.

3. We believe the response to question five of Congressman Wolf's letter could fairly be based on these points.

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